

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Resolution No. 2008-07

Resolution Approving Utilization of the HELP II Loan Program to Provide Short-Term Loans to Rural Hospitals

June 26, 2008

Background: Many rural hospitals are facing unanticipated and staggering financial burdens associated with the anticipated State budget impasse and delayed Medi-Cal reimbursements scheduled for June and July of this year. Some of these rural hospitals have appealed to the Authority to assist them by providing short-term working capital secured loans to help them survive their anticipated budgetary shortfalls associated with delayed 2008 Medi-Cal reimbursements from the State of California. The Authority's statute permits the Authority to make secured or unsecured loans to participating health institutions in connection with the financing of a project or working capital. In addition, the Authority's statute provides the Authority may provide funds for secured loans from the Authority's Financing Fund to small and rural health facilities in accordance with Authority guidelines.

Issue: Should the Authority permit short-term loans of the Authority's fund balance, using some of the HELP II Loan Program guidelines to structure the transactions, to help struggling rural health facilities with expected budgetary shortfalls associated with delayed 2008 Medi-Cal reimbursements?

Recommendation: Staff recommends the Authority approve use of the Authority's fund balance to provide short-term working capital secured loans to rural health facilities, who qualify as participating health institutions, to help them survive their expected budgetary shortfalls associated with delayed 2008 Medi-Cal reimbursements from the State of California, in amounts within HELP II loan program guidelines, for a term not to exceed 60 days from the adoption of a 2008-2009 budget by the State of California, and subject to such other HELP II guidelines as the Authority may wish to impose. Staff respectfully refers the board to the attached resolution, as well as the staff reports for each of the pertinent rural health facilities, for further particularities relating to each of the proposed transactions.